



FOR IMMEDIATE RELEASE

March 27, 2008

FACT SHEET

WALL STREET SENDS POSITIVE MESSAGE TO CITY: SAN DIEGO HEADED IN RIGHT DIRECTION

Credit Rating Agency Move is First Positive News from Wall Street for City in Four Years

Just days after Mayor Jerry Sanders issued the City's audited financial statements for FY06, one of the top Wall Street Credit Rating Agencies formally recognized the steady pace of reform at City Hall by changing its critical "Rating Watch" to "Positive" from "Negative." This is the first good news the City has received from Wall Street in four years when all three of the rating agencies placed the City on their negative outlook lists.

Fitch's credited the City for "adequate operations, debt service coverage and reserve levels" and stated that the City's "underlying economic diversity, strength and enterprise fund financial flexibility are likely consistent with higher ratings than those currently assigned."

While only one credit rating agency, Standard & Poor's, has suspended the City's rating, the Mayor will ask all three rating agencies to reconsider the City's current rating. Once they have been reinstated, the City is hoping to return to the public bond markets to finance critical infrastructure projects at more attractive rates for taxpayers.

The focus of the Mayor's efforts for the past 27 months has been to restore our City's financial reputation and stability. Prior to Mayor Sanders taking office, the City had not issued audited financial statements for three years running; the FY06 statements issued this past Saturday are the fourth set of audited financials the City has issued in one year under the Mayor's leadership. The release of FY06 statements, along with the successful implementation of 76% of the Kroll recommendations on tighter financial controls and the agreement with the SEC is proof that the City is making great strides toward regaining the confidence of the financial markets and the public.

MAYOR HAS RECORD OF IMPORTANT FINANCIAL ACCOMPLISHMENTS

This critical milestone is just the latest in a long series of financial accomplishments by Mayor Sanders, as follows:

- Issued four sets of audited financial statements for FY03-FY06 in one year after a three year hiatus. Prior to the end of the 2008 calendar year, the City is on track to issue the two remaining financial statements for FY07 and FY08.
- Streamlined City operations to save over \$50 million annually and eliminated 670 staff positions. The 670 positions eliminated represent 9% of all non-public safety employees.
- Established a Five Year Financial Outlook that funds long-term obligations including deferred maintenance. Over the next six years, the City will dedicate \$781 million to deferred maintenance and capital improvements, including street repairs.
- Proposed a new Retirement Plan for future non-public safety employees and have held the line on salary and benefit increases for employee groups.
- Instituted tough new financial controls. As of today, 76% of the internal financial control recommendations made in the Kroll Report have been implemented or are substantially complete.
- Appointed the City's first-ever CFO and appointed a new Internal Auditor. The Mayor will double the Auditor's staff resources in FY09.
- Accomplished all of the above without raising taxes.

RATING WATCH CHANGE TO "POSITIVE" IS FIRST POSITIVE NEWS IN 4 YEARS

The City's recent history with the three credit rating agencies:

- February 2004: All three Rating Agencies place the City on Negative Outlook or Credit Watch. Fitch Ratings and Standard & Poor's downgrade the City's credit ratings.
- April 2004: Moody's Investor Services places the City's on its "Watchlist for Possible Downgrade."
- August 2004: Moody's Investor Services downgrades the City's credit ratings.
- September 2004: Standard & Poor's suspends the City's credit rating. Moody's Investor Services further downgrades the City's credit ratings.
- February 2005: Fitch Ratings further downgrades the City's credit ratings.
- May 2005: Fitch Ratings further downgrades the City's credit ratings.
- August 2005: Moody's Investor Services further downgrades the City's credit ratings.
- **March 2008: City issues FY06 Financial Statements. Days later, Fitch Ratings changes City's Rating Watch to "Positive" from "Negative."**